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5 May 1952

US OFFICIALS ONLY

OCI No. 5173
Copy No. 286

CURRENT INTELLIGENCE DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. French Foreign Office sees "technical motives" behind Soviet airliner attack: The American Embassy in Paris reports that the French Foreign Office, which first believed that the recent Soviet attack on the French airliner was made for political reasons, now agrees with the US High Commissioner's office in Berlin that the attack, though deliberate, had "technical motives."

When the Foreign Office spokesman read its protest note aloud to the Counsellor of the Soviet Embassy in Paris in the absence of the Ambassador, the Counsellor was apparently fearful of accepting the responsibility, and refused the note as "reflecting on the honor of the Red Army." (S Paris 6726, 2 May 52)

SOVIET UNION

2. Soviet Mission not now planning action on Japanese Treaty:
25X1C [REDACTED]

the Soviet Mission intends to maintain a passive attitude toward the Japanese Treaty. In the opinion of the Soviet Mission, any future Soviet action pertaining to the treaty will be undertaken jointly with the Chinese Communists.

- 25X1C [REDACTED] the USSR will not return the disputed Habomai Islands to Japan for fear that the islands will be converted to US military bases. (S [REDACTED] 2 May 52)

25X1A

Comment: Soviet representatives on the Far Eastern Commission and the Allied Council protested the entering into

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effect of the "illegal" Japanese Treaty on 28 April 1952, but the protests were routine and appeared designed for the record. Further Communist propaganda activity was indicated by the inauguration on 1 May of Japanese-language broadcasts by a clandestine radio calling itself "Radio Free Japan."

With regard to the Habomai Islands off northeastern Hokkaido, the Japanese Government reportedly will insist on their return in the event of direct negotiations with the USSR, contending that historically and ethnologically these islands are not a part of the Kuriles.

EASTERN EUROPE

- 25X1A
3. General Labor Reserves Administration established in Bulgaria: The Bulgarian Council of Ministers has issued a decree, dated 3 March 1952, establishing a General Labor Reserves Administration. The Administration is designed "to direct the training and allotment of young labor reserves, to regulate recruiting, and to account for and allot labor for our industry, construction projects, and transport." State Labor Reserve personnel will be at the direct disposal of the Council of Ministers and will be allotted according to government-approved plans. All existing industrial schools under the Ministry of Education as well as all individual plant schools under the administration of various ministries and offices will be turned over to the new Administration. (R FBIS [REDACTED] 30 Apr 52)

Comment: In establishing this new Administration, Bulgaria has followed a pattern set by the USSR and followed by Rumania in April 1951.

Since the Bulgarian economy is primarily agricultural, there has long been a serious problem of seasonal fluctuations in Bulgarian employment. Under the General Labor Reserves Administration this problem should be met at least in part by a more disciplined and orderly disposition of the seasonally unemployed.

4. Death of Bulgarian Vice Premier Poptomov announced: The Bulgarian Central Committee and Council of Ministers have issued a joint communique announcing the death, after a long illness, of Vice Premier and Politburo member Vladimir Poptomov.

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According to the official death certificate, Poptomov's death came suddenly as a result of an embolism of the lungs. (R FBIS 2 May 52)

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Comment: Poptomov was one of the foremost members of the old guard of the Bulgarian Communist Party, and was a close friend and colleague of the late Georgi Dimitrov. A Macedonian revolutionary of many years experience, Poptomov continued to play an active role in Macedonian affairs under the communist regime following his return to Bulgaria in 1944 after 20 years residence in Moscow. He was reputed to be the leader in Bulgaria of the Cominform's efforts to unseat the Tito regime following the publication of the Cominform resolution of 1948, and in 1949 was appointed Bulgarian Minister of Foreign Affairs. Poptomov had held the post of Vice Premier since 1950.

Although there has been some speculation concerning a possible decline in Poptomov's importance since the death of Georgi Dimitrov in 1949, there is no solid evidence to indicate that the Vice Premier had fallen from favor at the time of his death. Poptomov had not appeared publicly since early this year.

5. Rumanian deportations reported exaggerated: Highly-publicized reports of evacuations from Bucharest are greatly exaggerated, according to the American Legation there. The US Charge has talked with six of his non-Communist colleagues, who tended to confirm his information that probably not over two to three hundred persons are being deported each week, 100 being a more likely number. (C Bucharest 419, 30 Apr 52)

Comment: Several stories, including that of New York Times correspondent Sulzberger, have stated that 200,000 persons are to be deported from Bucharest, a city of about one million population. It is not likely that such a large proportion of "undesirables" still remains in the Rumanian capital.

6. Yugoslavia introduces powerful new short-wave transmitter: The Yugoslav Deputy Minister for Science and Culture stated in a May Day address that with the opening of a powerful new 100-kilowatt short-wave transmitter, the ability of Yugoslavia to disseminate its propaganda to the world and particularly to eastern Europe is significantly increased. (R FBIS 30 Apr 52)

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Comment: This new transmitter replaces a ten-kilowatt short-wave transmitter. The power of the new station demonstrates the importance attached by the regime to spreading the Yugoslav Communist gospel to "heathen lands" throughout the world.

The ability of this transmitter to penetrate Soviet jamming will be directly dependent upon Soviet jamming countermeasures in the Orbit.

7. Loose Yugoslav trade controls result in trade with Soviet bloc: According to American officials in Belgrade, Yugoslav authorities appear genuinely desirous of preventing all trade between their country and the Soviet bloc. Their problem is complicated by economic and administrative decentralization which places a premium on the acquisition of foreign exchange and makes it exceedingly difficult for the Federal authorities in Belgrade to control exports. Local Yugoslav firms fear that refusal to sell to a particular firm will adversely affect future business. An additional complicating fact is that export licensing is controlled through the Council of Industry, while the task of preventing shipments to the east appears to be the responsibility of the Ministry of Foreign Affairs. (S Trieste Despatch 316, 4 Apr 52)

Comment: Although the Yugoslav regime is undoubtedly sincere in its efforts to prevent the shipment of strategic goods to the Soviet bloc, there is considerable evidence that Yugoslav shipments to certain European firms dealing in east-west trade eventually reach Soviet-controlled areas. For example, the Central Bureau of Statistics in The Hague reported that 470 tons of Yugoslav lead were transshipped to the Soviet bloc last summer.

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FAR EAST

8. Tokyo May Day riot may cause repression of Japanese labor:
Ambassador Murphy in Tokyo reports that while the hard core of Tokyo's May Day rioters was obviously Communist, he is concerned because the incident may serve as a pretext for repressive actions threatening the healthy development of the labor movement.

Non-Communist labor leaders have disclaimed responsibility for the riot, according to CINCFE. They fear that unless they clearly disassociate themselves from the Communists, they may become victims of the growing anti-Communist mood of the population. (C Tokyo 27, 2 May; S CINCFE Telecon 5792, 3 May 52)

Comment: The combined opposition of non-Communist labor, the press, and Yoshida's political opposition has until now prevented Diet passage of the Subversive Activities Bill, by which the Communist Party may be curbed or even outlawed. The various groups opposing the bill have seen in it the eventual means of their own suppression.

9. Economic reasons caused illegal trip of two Japanese to Moscow: An American Embassy official in Moscow has learned through personal conversation that Miyakoshi's illegal visit to Moscow is allegedly motivated by recent American tariff restrictions on Japanese tuna and ceramics, along with fears of other increased tariffs. These restrictions are forcing Japan to seek markets in the USSR and Communist China.

Hoashi, who thinks his country must get along with both the United States and the Soviet Union, came because of the doldrums in which Japan's peace industries now find themselves. (C Moscow 1764, 3 May 52)

Comment: Miyakoshi and Hoashi were refused passports by the Japanese Government to attend the Moscow Economic Conference. Successful in leaving the country with passports to Denmark, the two Japanese promptly showed up in Moscow.

The stress they lay on Japan's economic situation, a cause of great national concern, may be designed to soften the Japanese Government's reaction to their illegal venture. Hoashi is widely considered a Communist sympathizer.

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10. Secret clause in trade treaty reportedly provides for Soviet loan to China: [REDACTED]

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[REDACTED] the head of the Chinese Communist commercial mission to Moscow agreed on 12 April to a "secret clause" in the trade agreement, which provides for Russian loans of 60 million dollars annually to China for five years to purchase Soviet goods. [REDACTED]

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Comment: Tass reported on 16 April that a protocol on Sino-Soviet trade for 1952 was signed on 12 April, and that a "protocol on this year's deliveries from the Soviet Union to the Chinese People's Republic of equipment and materials on account of credit granted under the agreement of 14 February 1950, was signed at the same time."

The agreement published in 1950 permitted China to buy on credit 60 million dollars worth of Soviet goods annually for five years. The relationship of this "secret clause" to the published agreement is not clear.

11. Li Mi reported to be in Bangkok: Two subordinate Chinese Nationalist commanders from Kengtung State in Burma have informed the American Embassy in Bangkok that General Li Mi is now in that city. They were told by Li that no supplies were available in Bangkok for their troops. (S Bangkok 2338, 2 May 52)

Comment: While there is no information to confirm this report, the two Chinese officers from Burma informed the American Embassy last week that they had been ordered by a wire from Taipei to meet Li Mi in Bangkok early in May.

The Burmese Government has made repeated strong representations to the American and Thai governments to prevent Li Mi from returning to Southeast Asia.

SOUTH ASIA

12. Saudi Arabian Minister offers solution to Afghan-Pakistani tribal dispute: The Saudi Arabian Minister in Kabul has informally suggested to Afghan officials that ten Moslem religious leaders from the holy cities of Mecca and Medina, possibly led by one of King Ibn Saud's sons, should visit Afghanistan and offer to help settle the Pushtoonistan problem involving the independence of tribes along the Afghan-Pakistani border. The Minister believes that all concerned would accept any decision

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made by the Moslem divines, who would shoulder the responsibility for ending the dispute and thereby save the Afghan Government's "face." (C Kabul 449, 1 May 52)

Comment: Mecca and Medina are the holiest cities of Islam, and a deputation from them would presumably have the highest religious authority. The Afghan Government has been cool toward several previous offers of good services, however, including one from the United States. There is no indication that it will receive the present Saudi Arabian offer more favorably, even though the latter presents a unique opportunity for settling the dispute on a basis which could not be questioned by any devout Moslem.

NEAR EAST - AFRICA

13. Iranian security officer fears attempt to assassinate Prime Minister Mossadeq: The Iranian official charged with security of the Majlis says that he "has been given clearly to understand" that the terroristic Fedayan Islam is planning to assassinate Prime Minister Mossadeq and other National Front leaders. The security official is reportedly seeking a transfer, fearing that such an attempt might occur in his jurisdiction. (S Tehran 4231, 2 May 52)

Comment: Mossadeq did not attend the opening of the seventeenth Majlis on 27 April, presumably because of his earlier expressed fears of an assassination attempt. The Fedayan Islam boasts of its record of assassinations. Mossadeq, along with other National Front leaders, has long been threatened by the organization.

14. US advances Israel \$25,000,000 to meet financial emergency: The State Department has approved an advance to Israel of approximately \$25,000,000 from Mutual Security funds to meet the present financial emergency. An additional economic representative will be attached to the American Embassy staff in Tel Aviv, and Israel has been asked to assist him in making a survey of the country's financial and economic problems.

The Israeli Government was reminded by the Department of State that an advance of \$14,230,000 was made at the end of 1951 to meet a similar emergency. (C State to Tel Aviv 781, 1 May 52)

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Comment: A dollar shortage, the result of a decline in Israel's foreign exchange income, has made it impossible for Israel to meet its sterling obligations to the Shell Oil Company. This apparently is the immediate occasion for the present request.

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WESTERN EUROPE

15. French threaten to suspend Defense Community negotiations:
A new French-German impasse has arisen in the European Defense Community conference, creating a situation which the chief of the French delegation has declared is "of the utmost seriousness" and forces his country to insist that initialing of the treaty be postponed. The head of the German delegation has suddenly refused to accept a limitation of 18 months on the transitional period during which each of the Defense Community's territorial military organizations will cover the area of a member country and be under the command of a national of that country.

While members of the German delegation have told American Embassy officials in Paris that their chief is prepared to modify his position, the Embassy advises that, should the French not be satisfied, "there is no predicting" what drastic action they might take to allay parliamentary fears of a revived German general staff. (S Paris 6740, 2 May 52)

Comment: The German Government is seeking additional treaty concessions in order to overcome the Bundestag's growing opposition to restrictions of German sovereignty in the nearly completed texts on contractual relations with the Allies.

16. West German businessmen form Soviet Orbit trade group:
25X1C [REDACTED]
several West German delegates to the Moscow Economic Conference established an association (OSTAG) for trading with Soviet Orbit countries. The association has its headquarters in Bonn and has concluded trade agreements of considerable magnitude with Communist China and the Soviet Union.

OSTAG has a separate agreement with Bulgaria, the validation of which needs the sanction of both the Bonn and Bulgarian Governments. If Bonn refuses to approve the alleged agreement, OSTAG plans to move to Switzerland where it will be able to meet its commitments. (S [REDACTED])

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Comment: Such an association has quite possibly been formed, but the agreements were probably only tentative in nature. There are increasing signs that West German businessmen are growing restive under present East-West trade restrictions and are exerting pressure for the loosening of trade restraints.

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17. Austrian police consider move against chief of Hungarian Restitution Commission: The alien registration division of the Vienna Police Directorate has considered proceeding against the chief of the Hungarian Restitution Commission on the grounds that he holds neither diplomatic status nor a valid residence permit. The legal adviser of the Hungarian Legation in Vienna intervened with the police, however, and proceedings are now in abeyance. [REDACTED] 25X1A

Comment: The Hungarian Restitution Commission is frequently under fire in the Austrian press both for "snooping" and for engaging in clandestine trade activities. Since the Commission probably has the protection of the Soviet occupation authorities, Austrian measures will likely be restricted to publicity.

18. British assert right to repair ships of Soviet bloc countries: Since Britain would be peculiarly vulnerable to reprisals if it delayed or refused to make ordinary repairs to Soviet bloc vessels supplying Communist China, the British Government will continue to permit such services, according to a Foreign Office policy statement handed the American Embassy in London. The Foreign Office believes it would be "inappropriate" to interfere "except under conditions of economic warfare," since Britain is bound by international conventions covering such matters, subject only to the COCOM restrictions on supply of strategic materials to the Soviet bloc. (S London 4954, 1 May 52)

Comment: The British have consistently offered similar arguments to justify the continuance of British shipping in the China trade. Under present conditions, they remain reluctant to take any steps which might place their extensive shipping interests in Far Eastern waters at a competitive disadvantage.

19. Current Communist line in Ireland exploiting anti-Americanism: The small Irish Workers' League, the only important Communist organization in Ireland, has evidently increased its contacts recently with Communists in France, Britain, and the United States, and embarked on a new campaign to exploit anti-American sentiments. Professional artists and writers, disgruntled politicians, rabid nationalists, and followers of lost causes have joined Communists and fellow travelers in endorsing "Ireland's Will to World Peace," a pamphlet devoted entirely to criticizing alleged American desires to make Ireland a military base.

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In a series of Radio Moscow broadcasts to Ireland, an anti-American program on 20 March was apparently lifted without change from the Irish Workers' Voice, a Communist paper published in Dublin. The American Embassy in Dublin reports that an editor who is in constant touch with State and Church officials concerned with subversive activity expressed astonishment at the idea of a connection between Irish Communists and the USSR. (C Dublin Desp 479 and 577, 27 Mar and 3 Apr 52; S USARMA Dublin, R-27-52, 4 May 52; R USARMA Dublin R-13-52 and R-30-52, 28 Jan and 12 Mar 52)

LATIN AMERICA

20. Smuggling headquarters for Brazilian industrial diamonds moved to Uruguay: The diamond-smuggling chain headed by Chone Muhirad in Rio de Janeiro has now definitely established its headquarters at Punta del Este, Uruguay. Four visitors reportedly came directly from the USSR to Punta del Este in March. (S [REDACTED])

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Comment: The Chone Muhirad chain is one of the most important channels for the illegal export of Brazilian industrial diamonds to the Orbit.

The US Embassy in Rio reported in January that Brazilian exchange and export regulations force all dealers in diamonds, even the most ethical, to resort to illicit means of export in order to continue in business. Although Brazil's annual production of industrials, roughly estimated at 156,000 carats, is small in relation to world production, it is large in relation to estimated Soviet bloc annual requirements of 300,000 carats.

Punta del Este, across the loosely controlled Brazilian-Uruguayan border, is a gambling resort where the movements of foreigners usually attract little attention.

21. Bolivian Government threatened by labor leaders: During May Day speeches in La Paz, Minister of Mines Lechin and other top union leaders warned that if the government wants to stay in office, it must keep its promises to labor and leave the unions alone. They stated that only the workers, who have the necessary arms, can stop the "counterrevolution."

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Lechin referred to the workers and himself as "we" and alluded to the government as "they." His speech, which was broadcast, was followed by vivas for unionism and for former MNR presidents, but none for President Paz Estenssoro. The President's speech from the balcony of his residence was not broadcast. (C La Paz 434, 1 May 52)

Comment: The union leaders' speeches had the tone of an ultimatum to Paz Estenssoro's moderate faction to comply with their extremist demands or be ousted. Lechin's identification of himself with the workers' threats against the government brings into the open the division within the governing party over nationalization and labor benefits.

Since the arms distributed during the recent revolt have not been called in, labor could make an armed attack against the government.

22. Chile terminates 1951 copper agreement with United States:
The Chilean Government announced on 2 May that it was terminating its May 1951 copper agreement with the United States. The government has decided to control all production of the large US-owned companies and to fix a price which may yield dollars needed to foreign trade and "indispensable income to adjust wages and salaries of the copper workers thus ending the present strike."

The US Embassy in Santiago comments that the tone of the official press release was quiet in contrast to earlier unofficial radio bulletins which were highly nationalistic "throwing blame on the companies."

The government apparently intends to increase the price of copper sold to the US, and presumably to reduce the high official price of copper sold to other areas; or it may set one price for all markets. The Embassy also stated that "dollars are needed to ease the present and prospective foreign exchange deficit far more than the amount needed to produce pesos to cover wage increases alone." (R Santiago 570, 2 May 52)

23. Plan to overthrow Batista government in Cuba reported: An
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Comment: This is the first report received revealing plans for the overthrow of the new Cuban regime. General Batista is now in control of the Cuban army, police, and government, and is consolidating and strengthening his position. Although the possibility of a counterrevolution must not be completely discounted, no early developments are anticipated.

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CIA No. 49631

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GENERAL

1. Colombian UN delegate gives view on Tunisian case:
The Colombian UN delegate told the US representative on 1 May that the Latin American countries were aware that their votes would be decisive in calling a special session of the General Assembly to discuss the Tunisian case, and that this fact places special responsibilities on them.

He believes that the question of the two-thirds vote required for approval of any resolution is more basic than the question of obtaining 31 votes for the special session. He thought this two-thirds vote would be very difficult to obtain and that failure of a resolution on Tunisia would rebound unfavorably not only on its proponents but on the UN as well. He suggested that not only his government but many other Latin American governments would welcome the US analysis of this confusing and complex case. (S, S/S USUN New York 774, 2 May 52)

Comment: Although Colombia has been the only Latin American country to send troops to Korea, Colombia is usually only slightly more cooperative in UN matters than the majority of Latin American countries.

WESTERN EUROPE

2. London Embassy evaluates Labor Party declaration on Germany: The American Embassy in London sees a tactical victory for left-wing Laborites in the party's declaration of 30 April calling for four-power talks on Germany, but does not believe that the British Government will be forced to make any substantial changes in its policy on integrating Germany into the Western defense system.

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The Labor Party's general policy statement was approved unanimously by the party's national executive committee, but there are some misgivings about its wording. A party official admitted privately that the statements calling for elections in West Germany before German ratification of the EDC treaty and for prompt delivery of American arms to France were inserted to please the German and French Socialist Parties. (C London 4956, 1 May 52)

Comment: The Labor Party has always insisted that Germany should be allowed to rearm only under conditions giving priority to rearming the NATO countries and precluding the revival of German militarism.

The American Embassy in London reported on 19 April that Foreign Secretary Eden planned to tell the British Cabinet that, because of British and Continental public opinion about German rearmament, four-power talks on all-German elections might be a necessary prelude to ratification of the EDC treaty and the Allied-German contractual agreement.

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